

Message Text

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C O N F I D E N T I A L STATE 080913 TOSEC 030063

NODIS
FOR SECRETARY FROM KATZ

E.O. 11652: GDS

TAGS: EMIN ITC BL

SUBJECT: POSSIBLE POSTPONEMENT OF BOLIVIAN ELECTIONS,
BLAMED ON US TIN SALES

1. AS BOEKER POINTS OUT IN LA PAZ 2511, A DECISION TO
POSTPONE THE ELECTIONS IS NOT A RESULT OF US TIN DISPOSALS,
ALTHOUGH THE BOLIVIANS WILL USE IT AS AN EXCUSE. BOEKER
ALSO MAKES CLEAR THAT EVEN WITHDRAWAL OF TIN DISPOSAL
LEGISLATION WOULD NOT AFFECT BANZER'S DECISION ON
ELECTIONS. BELIEVE IT WOULD BE A SERIOUS MISTAKE TO
OFFER A COMMITMET TO BOLIVIA AT THIS TIME ON EITHER THE
TIMING OR AMOUNT OF DISPOSALS AS ARA PROPOSES OR TO
INDICATE THAT WE ARE PREPARED TO RECONSIDER OUR SUPPORT
FOR DISPOSAL LEGISLATION AS BOEKER SUGGESTS. THUS, IN
MY VIEW, WE SHOULD ADVISE BANZER THAT IF OUR TIN POLICY IS
CITED IN CONNECTION WITH POSTPONEMENT, WE WILL BE FORCED TO
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GO ON RECORD IN REFUTATION OF THIS TOTALLY UNWARRANTED
LINKAGE.

2. WE DO NOT YET HAVE ANY LEGISLATIVE AUTHORITY FOR
DISPOSALS AND DO NOT FORESEE CONGRESSIONAL ACTION BEFORE
JUNE AT THE EARLIEST. WE SHOULD NOT NOW MAKE ANY
COMMITMENT TO BOLIVIANS ON DISPOSAL LEVELS SINCE THIS

WILL BE CRITICAL ELEMENT OF OUR PLAN TO NEGOTIATE

IMPROVEMENT IN FUNCTIONING OF INTERNATIONAL TIN AGREEMENT AND PRODUCTION POLICIES OF MAJOR EXPORTING COUNTRIES. MOREOVER, TO MAKE SUCH A COMMITMENT TO BOLIVIA NOW ON FOREIGN POLICY GROUNDS WOULD UNDERMINE OUR EFFORT TO GET CONGRESSIONAL APPROVAL OF LEGISLATION THE ADMINISTRATION HAS STRONGLY ENDORSED AS BEING IMPORTANT TO US ECONOMIC INTERESTS. YOU SHOULD ALSO BE AWARE THAT ADMINISTRATION SUPPORT OF LEGISLATION INVOLVED COMMITMENTS TO SEVERAL MEMBERS OF CONGRESS INCLUDING DE CONCINI WHO IS COAUTHOR WITH UDALL OF THIS LEGISLATION.

3. IT SHOULD BE NOTED THAT THE PRICE OF TIN HAS STABILIZED IN THE PAST WEEK AT LEVEL ABOVE THE CURRENT CEILING OF THE PRICE RANGE IN THE INTERNATIONAL TIN AGREEMENT, DESPITE FOUR INCREASES IN THE CEILING IN THE LAST TWO YEARS. OTHER PRODUCER MEMBERS OF THAT AGREEMENT (MALAYSIA, INDONESIA, THAILAND) HAVE REPEATEDLY URGED DISPOSALS AS THE ONLY WAY TO ALLEVIATE WHAT ALL AGREE IS A SERIOUS SHORTAGE OF TIN IN THE WORLD MARKET (20,000 MT PER ANNUM IN PAST TWO YEARS).

4. IN LIGHT OF THE ABOVE, I RECOMMEND THAT WE ADVISE THE BOLIVIANS THAT IN KEEPING WITH OUR OBLIGATIONS UNDER THE TIN AGREEMENT, AS SOON AS THE DISPOSAL LEGISLATION IS CONFIDENTIAL

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APPROVED, WE WILL CONSULT FULLY WITH THEM AND OTHER PRODUCERS--IN THE CONTEXT OF CONDITIONS IN THE WORLD TIN MARKET--ON A DISPOSAL PROGRAM THAT WILL AVOID UNDUE MARKET DISRUPTION.

5. WE CAN ALSO POINT OUT TO BANZER THAT GIVEN THE CURRENT TIMETABLE FOR CONGRESSIONAL ACTION AND SUBSEQUENT DECISIONS ON THE DISPOSAL SCHEDULE, WE ARE UNLIKELY TO BE SELLING ANY TIN BEFORE THE PRESENTLY SCHEDULED BOLIVIAN ELECTION. IN ADDITION, WE CAN TELL HIM THAT WE ARE CURRENTLY REVIEWING OUR POLICY TOWARD THE INTERNATIONAL TIN AGREEMENT AND THAT WE WILL BE PREPARED LATER THIS YEAR TO CONSIDER AN INCREASE IN THE ITC CEILING PRICE--WHICH BOLIVIA STRONGLY DESIRES--IN THE CONTEXT OF A WIDENING OF THE PRICE BAND AND COMMITMENTS BY TIN PRODUCERS TO MODIFY INVESTMENT POLICIES TO INCREASE TIN SUPPLIES OVER THE MEDIUM TERM. COOPER

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